

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 ITC-01 L-03

PRS-01 /075 W

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P 081602Z MAR 76

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 7955

USDEL MTN GENEVA PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, EIND, ELTN, MTN, AU

SUBJECT: PROPOSED INCREASE IN AUSTRIAN MOTOR VEHICLE TAX

1. SUMMARY. A GOA PROPOSAL TO TRIPLE ANNUAL TAXES ON LARGE PASSENGER CARS WOULD AFFECT ALMOST ALL US-SOURCE CARS SOLD IN AUSTRIA. PROPOSAL SCHEDULED REACH PARLIAMENT BY APRIL 1 AND, IF ENACTED, WOULD BE EFFECTIVE OCTOBER 1. GOA REPORTEDLY DROPPED A SIMILAR TAX INCREASE DURING KENNEDY ROUND IN RETURN FOR US TARIFF CONCESSIONS. SINCE EMBASSY PLANS MAKE APPROPRIATE REPRESENTATIONS WITH GOA, AVAILABLE INFORMATION ON ANY KENNEDY ROUND CONCESSIONS WOULD BE APPRECIATED ASAP. END SUMMARY.

2. AT ITS FEBRUARY 25 MEETING, THE AUSTRIAN CABINET APPROVED THE INTRODUCTION OF A "FEDERAL MOTOR VEHICLE TAX" TO GO INTO EFFECT OCTOBER 1, 1976. THE LAW IS SCHEDULED FOR DEBATE IN PARLIAMENT ON APRIL 1.

3. THE INCREASE IN MOTOR VEHICLE TAX, THE PROPOSED "FEDERAL MOTOR VEHICLE TAX" BEING A SURCHARGE TO THE CURRENTLY EXISTING GRADUATED VEHICLE ROAD TAX, IS ONE OF THE MEASURES THROUGH

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WHICH THE GOA HOPES TO AUGMENT FEDERAL FINANCES. SURCHARGE

REVENUES WOULD BE EARMARKED PRIMARILY FOR DEVELOPMENT OF SHORT-HAUL PUBLIC TRANSPORTATION.

4. THE PROPOSED GRADUATED SURTAX WOULD TRIPLE CURRENT ROAD TAXES ON LARGE CARS. UNDER THE PROPOSAL, CARS WITH A PISTON DISPLACEMENT OF UP TO 1.5 LITERS WILL BE SUBJECT TO A 50-PERCENT SURCHARGE ON THE PRESENT TAX, THOSE FROM 1.5 LITERS TO 2 LITERS WILL BE SUBJECT TO A 100-PERCENT SURCHARGE, AND CARS OF 2 LITERS AND OVER TO A 200-PERCENT SURCHARGE. PRESENT ANNUAL ROAD TAX ON 2- TO 2.5-LITER CARS IS AS 816; 2.5 TO 3 LITERS, AS 1200; 3.5 TO 4 LITERS, AS 1800; 4.5 TO 5 LITERS, AS 2400; AND OVER 5 LITERS, AS 2700. TAXES ON ALL THESE LARGE CARS WOULD BE TRIPLED UNDER THE PROPOSED LAW.

5. THE DISPROPORTIONATELY HIGH TAX ON THE LARGER CARS WILL CONSTITUTE A SUBSTANTIAL DISINCENTIVE FOR THEIR PURCHASE IN AUSTRIA -- WHETHER THEY ARE NEW OR USED. WHILE THE FIRST BUYER MAY BE FINANCIALLY ABLE TO PAY THE HIGHER TAX, THE BUYER OF A USED CAR MAY WELL NOT. AS A RESULT, THESE CARS WILL HAVE VIRTUALLY NO RESALE VALUE. HEAVILY AFFECTED BY THE PROPOSED TAX WILL BE US-MADE CARS, SINCE VIRTUALLY ALL THOSE EXPORTED TO AUSTRIA HAVE A PISTON DISPLACEMENT OF OVER 2 LITERS. OF THE 6,110 US-MADE CARS REGISTERED IN AUSTRIA AT THE END OF 1974 (LAST CENSUS FIGURES AVAILABLE WITH PISTON-DISPLACEMENT BREAKDOWN), 98 PERCENT WERE IN THE OVER-2-LITER CATEGORY, WHEREAS, SLIGHTLY LESS THAN 10 PERCENT OF THE 821,992 GERMAN-MADE CARS AT THE END OF 1974 WERE IN THIS CATEGORY. (WE UNDERSTAND, HOWEVER, THAT 97 PERCENT OF NEW MERCEDES CARS WOULD BE HIT BY THE TRIPLED TAX.)

6. THE PRESIDENT AND THREE OTHER PROMINENT MEMBERS OF THE TRADE ASSOCIATION OF AUSTRIAN CAR DEALERS RECENTLY CALLED ON THE AMBASSADOR REQUESTING SUPPORT IN ITS EFFORTS TO BRING ABOUT AT LEAST SOME CHANGE OF THE DRAFT LAW. THE DELEGATION CITED PREVIOUS EMBASSY ASSISTANCE UNDER SIMILAR CIRCUMSTANCES. THEY SAID THAT AS RECENTLY AS JAN 1, 1968, A YEAR-LONG DISCRIMINATION AGAINST US-MADE CARS COULD BE ELIMINATED AS A RESULT OF CONCERTED EFFORTS OF THE TRADE AND THE EMBASSY. ACCORDING TO A VIENNA NEWSPAPER ARTICLE, DATED JULY 11, 1967, DR. BOCK, THEN AUSTRIAN TRADE MINISTER, IS QUOTED AS STATING LIMITED OFFICIAL USE

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AFTER HIS RETURN FROM THE KENNEDY ROUND NEGOTIATIONS THAT "IN RETURN FOR THE REDUCTION OF THE MOTOR VEHICLE TAX ON CARS WITH A PISTON DISPLACEMENT OF OVER 2.5 LITERS, AUSTRIA HAS OBTAINED DUTY EXEMPTION FOR ITS SKI BOOT EXPORTS TO THE UNITED STATES AND A 50 PERCENT DUTY REDUCTION ON MANICURE SETS."

7. WE HAVE INDICATED TO THE CAR DEALERS OUR INTENTION TO REGISTER OUR CONCERN ABOUT THE PROBABLE IMPACT OF THE PROPOSED

TAXES ON US-CAR EXPORTS TO AUSTRIA. SINCE THE EMBASSY NO LONGER HAS RECORDS OF THE 1967 NEGOTIATIONS, IT WOULD BE APPRECIATED IF THE DEPT COULD ADVISE WHAT CONCESSIONS MAY HAVE BEEN MADE BY EACH SIDE ON THIS SUBJECT IN THE KENNEDY ROUND. THOUGH RELATIVELY SMALL, THE AUSTRIAN MARKET FOR US-SOURCE CARS HAS BEEN CONTINUING TO GROW. 742 NEW US CARS WERE REGISTERED IN AUSTRIA IN 1975.

8. SINCE ANY EMBASSY REPRESENTATION WILL HAVE TO BE MADE QUICKLY, WE WOULD APPRECIATE A REPLY ASAP.BUCHANAN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TAX CHANGES, AUTOMOBILES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAR 1976
Decapton Date: 01 JAN 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976VIENNA01818
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760087-0535
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760382/aaaacutb.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAR 2004 by CunninFX>; APPROVED <27 JUL 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED INCREASE IN AUSTRIAN MOTOR VEHICLE TAX
TAGS: BEXP, EIND, ELTN, EFIN, AU, US, MTN
To: STATE MTN GENEVA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006